

Player's Navy Cut
Test Marketing

I. Market Identification

Objective: Choose "micro markets" or neighborhoods where trendsetting, market innovators live.

Use PRIZM cluster maps to locate:

- o Bohemian Mix
- o Urban Gold Coast
- o Single City Blues
- o Young Influentials
- o New Beginnings

(See attached descriptions of each cluster)

Markets: 1. Los Angeles, CA

Santa Monica
Venice Beach
Westwood
Brentwood
West Hollywood
Hollywood
Manhattan Beach
Hermosa Beach
Redondo Beach
Long Beach

2. San Francisco, CA

San Francisco (see detail map for specific neighborhoods)

Marin County: (Sausalito, Marin City, Mill Valley, Larkspur, Fairfax, Tiburon, Belvedere)

Berkeley

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II. Distribution Strategy

Objective: To uniquely position the brand, build awareness among the "right" audience and establish PNC's image.

- A. Target "hot", "in", "happening", bars, clubs, pool halls, etc.

(Note: See target audience page for definition of "right" crowd.)

Bar/Club Selection Guidelines:

- "Current", "in", "trendy", spots --- on the cutting edge.
 - A "bar scene" where people "hang out" at the bar. Combination restaurants/bars are appropriate if the bars themselves are distinct destination spots. Restaurants with bars only for patrons waiting to be seated are not the target.
 - An atmosphere conducive to socializing, i.e., not a "disco" where the attention is on dancing and not on what's happening at the bar.
 - Bars with live music, food, etc. are okay.
- B. To build the brand, i.e., to generate sales and switching, establish retail distribution in pack outlets in the neighborhoods where the above mentioned "right" audience lives.

Retail distribution goals:

- Aim for 100% distribution in regularly called on pack outlets, within the targeted geographies, and see where the brand sticks.
- Target lower volume pack stores and alternative tobacco outlets within the geographies.
- Especially focus on stores selling import brands and/or Export A.

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III. Sales Force Strategy

- A. Use existing PM sales force to get distribution in standard pack outlets.
- B. Use special sales force (established for Cartier) to sell to alternative and low volume tobacco accounts and bars/clubs. Estimated required manpower: Manager (M. Wilhelm), 3 sales reps (2 in L.A., 1 in San Francisco).
- C. Leverage Phillips & King (specialty tobacco distributor) to gain distribution.
- D. Investigate coordination with Miller sales force for identification of and entree into bars/clubs. Use Miller's contacts for feedback on effective sell-in programs and appropriate bar materials.

Tap into beer distributors as a vehicle to deliver bar materials, incentives and promotions.

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IV. Promotion Strategy

- A. Primary promotional support for awareness building will be targeted in bars/clubs.

- Incentives
- Bar materials (temporary & permanent)
- Product displays
- Events (e.g. a pool tournament)

Use Miller's bar contacts for feedback on appropriateness of materials and programs.

- B. Additional POS support will be provided for retail accounts:

- Product displays (temporary and/or permanent)
- Posters, etc.

- C. Create trade programs to build sales and distribution.

- Phillips & King specialty distributors
- Standard tobacco distributors
- Beer distributors (?)

Programs may include payments for display placements and volume incentives.

V. Pricing

Use pricing as an advantage. PNC is perceived as an import or "specialty" brand, for which smokers expect to pay more than for regular cigarettes. To insure a price advantage to imports, PNC will have a list price equivalent to or slightly less than Marlboro.

We are also considering the possibility of
Note: ~~We estimate Export A's list price to be about \$58/M.~~

alternate pricing strategies in the different micro markets. Perhaps PNC will be priced as a "premium" brand ~~on par with Export A~~

(i.e., 25-30¢ more per pack than Marlboro) in San Francisco where Export A has a small, though steady brand share. In Los Angeles micro markets, PNC can be priced ~~as~~ on par with Marlboro. ^{as a premium brand,}

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VI. Alternative Test Marketing Plans

A. Product configuration alternatives

1. 2 packings 70MM flat pack, full flavor & lights
2. 4 packings 70MM flat packs, full flavor & lights
85MM FTB, full flavor & lights

Test alternatives 1 and 2 in both L.A. and San Francisco, dividing neighborhoods in each city between the two alternatives. In both test scenarios, only feature the 70MM packings in bars; feature two or four packings in stores, as appropriate.

B. Advertising

1. Outdoor, limited and alternative print
2. No advertising

Issue: How should markets be divided to test advertising? Can advertising be split between neighborhoods within each city?

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PRIZM CLUSTERS

Bohemian Mix (Light Blue)

It's only a \$5 cab ride from "the East Side" to "the Village". The drop in income, and shift in perspective, is far more dramatic. These are America's Bohemia, a largely integrated, singles-dominated, hi-rise hodge-podge of universities, hippies, writers, artists, divorcees, widows, and races. An interesting phenomenon - Bohemian Mix are chiefly found in major harbor cities.

Urban Gold Coast (Dark Blue)

Urban Gold Coast is altogether unique. It is the most densely populated per square mile, with the highest concentration of one person households in multi-unit, hi-rise buildings, and the lowest incidence of auto ownership. Other mosts: most employed, most white-collared, most professional, most rented, most childless, and most New York. Urban Gold Coast is the top in Urbania, a fit address for the 21 Club.

Young Influentials (Pink)

These are young, metropolitan sophisticates, with exceptional high-tech, white-collar employment levels. Double incomes afford high spending, and lifestyles are open, with singles, childless couples, and unrelated adults predominating in expensive, one & two person homes, apartments, and condos. Cluster 20 is skewed to the new West.

Single City Blues (Green)

This Cluster represents the nation's dense, urban downscale singles areas, found in most major markets, including those of the new West. Many are located near city colleges, and the Cluster displays a bi-modal education profile. With very few children, and its odd mixture of races, classes, transients, and night trades, Single-City Blues could be aptly described as poor man's bohemia.

New Beginnings (Yellow)

New Beginnings residents are now largely techs and lower-echelon white collars. The predominant age is 18-34, and the mode is pre-child. They are highly mobile, employed, divorced, and rented. Many New Beginnings have provided homes for a steady flow of young migrants to the South and West in search of new job opportunities and life-styles.

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Target Audience

Full margin "Young Adult Male Smokers"

- o Looking for more "contemporary" brands they can call their own.
- o Mass brands are not relevant
 - Marlboro too establishment
 - Camel hype "frivolous"
- o Trade up to more distinctive smoke
 - Richer, smoother flavor
 - Quality tobacco
 - Unique pack and cigarette

Net: Want a "badge" brand that reflects their individuality

Psychographically, YAMs exhibit the following characteristics:

Emotional

- o Very concerned with image - the "badge" value of their brands.
- o Set trends vs. follow them.
- o Very influenced by peer pressure.
- o More brand conscious than other smoking segments.
- o YAMs are skeptical of advertising/marketing directed towards them. They need to feel that they have discovered the product.
- o Proud to smoke.

Rational

- o Say they desire taste above all else.

Tactical

- o Traditionally, YAMs are hard to reach, and harder still to motivate to switch.

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